

## State of Colorado Retirement Plan Choices

### Making an Informed Decision

#### Defined Contribution or Defined Benefit

**\* State Employees do not contribute to Social Security, this is your retirement choice\***

### Step One - Understanding Defined Contribution or Defined Benefit

Feature	Defined Contribution	Defined Benefit
New Hire Enrollment Period	First 60 calendar days of Employment	First 60 calendar days of Employment
Contributions	State Employee 8% - Employer 10.15% State Troopers 10% - Employer 12.85%	State Employee 8% - Employer 10.15%      State Troopers 10% - Employer 12.85%
Vesting - Employee Contributions	100%	100%
Account Management - Investment Selection	Employee chooses specific investments depending on investment knowledge and risk tolerance	Contributions are pooled and professionally managed in a variety of asset classes
Retirement Benefit	Retirement benefit is the balance in retirement account. Account balance will depend on contributions and investment gains and losses	Lifetime retirement benefit received is based on a formula using age at retirement, years of service and highest average salary, or may select to receive a lump sum
Gains/Losses	Employee assumes risk. Gains and losses of investments will affect retirement account balance	Defined Benefit plan assumes risk. Gains and losses of investments do not affect retirement benefit
Fees	Fees are assessed against retirement account balance. Fees vary by investment provider and investments selected	Defined Benefit plan pays all fees and expenses
Retirement Distributions	Employee has multiple options to receive benefits after retirement - Lump Sum, Annuity, Roll-over	Employee receives a lifetime monthly benefit based on a formula using age at retirement, years of service and highest average salary
COLA/Inflation adjustments to retirement benefit	No	Yes
Retirement Eligibility	Employee must terminate employment to be eligible for a distribution from retirement account	When age and service requirements are met - minimum age 55
Social Security Offset	Yes	Yes

#### **Definitions:**

**DC** = Defined Contribution. The benefit at retirement is determined by the account balance adjusted for gains/losses of investment choices

**DB** = Defined Benefit. The benefit at retirement is determined by a formula based on age at retirement, years of service and highest average salary

**Employer** = The State of Colorado

**Vesting** = Amount of contribution that is nonforfeitable at termination of employment

**Service Credit** = Years of membership used to calculate defined benefit plan retirement benefit

**COLA** = Cost of Living Adjustment

#### **Defined Contribution may be for you if:**

You do not plan to work for the State for a long period of time and would like a more portable retirement benefit

You want to control where your retirement contributions are invested

You are open to the fluctuations in the investment market

#### **Defined Benefit may be for you if:**

You plan to work for the State for a long period of time to accumulate vesting and service credit

You want to have a lifetime benefit at retirement which may include Cost of Living Adjustments

You want additional benefits such as survivor benefits and disability